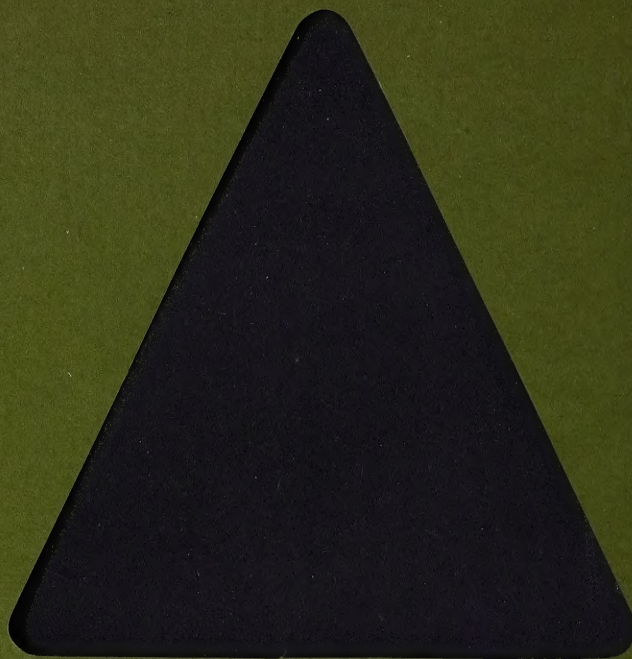


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arried out on a pro-rata basis with  
or its 25% share of drilling and com-  
drilling is anticipated to start in June  
project.







which is in addition to the 10% working interest in 10,000 acres the company previously held. The company's plans to participate in the drilling of a Devonian Reef test this past winter have been delayed until December 1973 due to the unavailability of rigs because of unseasonably warm weather. When drilling commences, your company will be carried at no cost for 10% of all costs to casing point or through abandonment. If successful, subsequent development drilling will be carried out on a pro-rata basis with Summit paying for its 10% share of drilling and completion costs.

In the **Malmo Area** of Central Alberta in township 44, ranges 21 and 22 W4M, your company has acquired a 70% working interest in approximately 2200 acres of Crown and freehold leases. This acreage offsets to the northeast, the small but prolific Malmo Devonian Nisku and Leduc oilfield. Extensive seismic evaluation and shooting by your company on these lands have outlined a reef anomaly. Your company has farmed out this attractive prospect while retaining a gross overriding royalty of approximately 10% during the payout period on the interest earning well with the right to back-in for 25% working interest after payout. Your company will be reimbursed for its land and seismic costs. Subsequent development drilling will be carried out on a pro-rata basis with Summit paying for its 25% share of drilling and completion costs. Drilling is anticipated to start in June 1973 on this project.

Summit is presently active in other areas of reef development in Alberta through land acquisition and seismic evaluation. Subsequent drilling will follow these activities when land negotiations have been completed.

#### **SASKATCHEWAN**

In the **Hume Area** of Saskatchewan, in Township 7, Range 12 W2M, your company plans to drill two more Midale development wells in which it has an 18% working interest.

At a recent Saskatchewan Crown Sale, your company acquired an interest in 320 acres of land which are considered key lands in exploration plans for drilling Summit Peyto Weyburn 11-2-8-13 W2M in May 1973. Your company will have a 48% working interest in this wildcat venture and a 48% interest in some 1920 acres of Crown and freehold leases adjacent to the test well. This wildcat venture is situated some two miles west of production in the Hume field.

In the **Rosebank Area** of southeastern Saskatchewan, your company farmed out its interest in 320 acres of freehold leases on which an unsuccessful Mississippian test was drilled. The land has subsequently been surrendered as the company has no further interest in this acreage.

Your company plans to continue an active program of land acquisition, exploration and development drilling throughout the remainder of 1973, based upon the premise that excellent drilling prospects still exist in Western Canada. Strong market demand and favorable prices are expected to persist for Canadian crude oil throughout the next few years.

On behalf of the Board of Directors  
ERNEST RADY, President

May 15, 1973

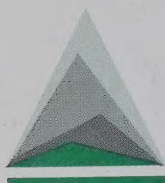
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**INTERIM REPORT TO SHAREHOLDERS  
SIX MONTHS ENDED MARCH 31, 1973**





# SUMMIT RESOURCES LIMITED

## CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

For the Six Months Ended March 31, 1973 \*

Gross revenues .....	\$ 180,018
Operating loss .....	(12,881)
Gain on sale of marketable securities .....	108,060
Income before income taxes ..	95,179
Income taxes estimated .....	1,858
NET INCOME FOR THE PERIOD .....	\$ 93,321
EARNINGS PER SHARE (based on the number of shares outstanding at end of period) .....	\$ .09

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(Unaudited)

For the Six Months Ended March 31, 1973

### SOURCE OF FUNDS

Net income for the period	\$ 93,321	
Items not involving current funds		
Depletion .....	41,034	
Depreciation .....	13,330	
Gain on sale of marketable securities ..	(108,060)	
Funds from operations ....	39,625	
Sale of marketable securities .....	251,223	
Reduction of mortgages and agreements .....	50,763	
Other .....	1,458	\$ 343,069

### APPLICATION OF FUNDS

Purchase of marketable securities .....	27,500	
Investment in shares of private companies .....	319,000	
Additions to property and equipment .....	72,313	
Reduction of long-term debt .....	2,421	421,234

DECREASE IN WORKING CAPITAL POSITION .....	78,165
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WORKING CAPITAL AT BEGINNING OF PERIOD ....	515,057
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WORKING CAPITAL AT END OF PERIOD .....	\$ 436,892
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\* This is the Company's first year of operation, therefore comparative figures are not available.

## FIRST SEMI-ANNUAL REPORT TO THE SHAREHOLDERS OF SUMMIT RESOURCES LIMITED

In our second quarter of operations, your company continued the pursuit of the objectives set out by the Board of Directors and outlined in our first quarterly report: the gradual liquidation of marketable securities and mortgages and the use of the proceeds to expand our oil and gas exploration business. The following is a brief summary of the progress of our two long term holdings both operating in Southern California.

- **Western Thrift & Loan Association:** Summit owns 23% of this company which commenced operations January 5, 1973; and at the time of writing had \$1,500,000 in total assets. While not yet profitable, we are meeting our objectives and are optimistic about the future of this company.
- **Insurance Company of The West:** The premium volume of this multi-line fire and casualty insurer has grown markedly but it has not yet become profitable because of adverse loss development in one segment of its business. Steps have been taken to eliminate the unprofitable line of business. Management is optimistic that I.C.W. will report a profit for the full year 1973, its first full year of operation.

We are most optimistic about the future of our company and in particular the oil and gas segment. Mr. Wallace's report follows and you will be gratified at the substantial progress outlined therein.

*In the North Sea, your company holds a 5% working interest in 98,000 acres located in Permit #B 20008/18 of Block J-2 in the West German sector. Seismic shooting has been completed on this permit at no cost to your company. The operator of this project reports that a preliminary review of this data indicates the presence of anomalies in the concession where favorable structures may exist. Upon finalization of the seismic data and a study of the material, the next phase of the exploration will be determined.*

*Seventy-five miles to the northwest of our permit acreage lies the Dan M. Field which is currently producing 15,000 barrels of crude per day.*

### ALBERTA

*At Dixonville, in the Peace River area of northwestern Alberta, your company holds a 22.5% working interest in three sections (1920 acres) adjacent to the recently completed Monsanto NCO Dixonville 9-19-87-2 W6M discovery gas well. This wildcat was completed with a calculated AOF of approximately 10 million cubic feet of gas per day. Further details on the discovery are being held confidential pending additional evaluation in the area.*

*At Three Creeks, in the Peace River area of northwestern Alberta, your company holds a 100% working interest in 320 acres and 22.5% working interest in 1760 acres adjacent to the recently completed Shell Cadotte 10-2-86-19 W5M test which recovered 1.9 million cubic feet of gas per day from a test of the basal Cretaceous sands. This venture is located in the general vicinity of a tar sands plant to be built by Shell Oil Company to evaluate the potential of the Peace River Tar Sands deposits.*

*In the Cadotte River Area of Peace River, Summit recently acquired a 10% working interest in 960 acres*

AR26

Summit was carried at no cost for an 8 1/8% working interest in the initial test well. A subsequent test well should be drilled soon on the permit, with Summit being carried free for an 8 1/8% working interest. The farmee has two further options to drill on the permit lands with Summit being carried for a similar working interest.

#### MONTANA - U.S.A.

Your company has taken an active position in acquiring attractive lands in northern Montana with the view to subsequent evaluation by drilling. At present, Summit has acquired 1360 acres of leases and options on 4000 acres of petroleum and natural gas rights. These lands are presently being evaluated by geophysical methods prior to drilling. Summit is continuing an active program of land acquisition due to the highly promising geological features known to exist in the area and the \$10.00 per barrel price being paid for crude oil.

#### SASKATCHEWAN

Summit has ceased its operations in Saskatchewan due to the discriminatory action taken by the provincial government toward producers in that province. Saskatchewan has increased its royalties, taken extra tariffs and passed none of the crude oil increases on to the producer.

#### GENERAL

At the Board of Directors meeting held January 25, 1974, Mr. W. Wayne Fitkin assumed the position of Executive Vice-President of the company.

Mr. John Woods joined the company February 1, 1974. John graduated in Geology from the University of London, England and has worked extensively in the Middle-East and the North Sea.

He recently worked for three and one-half years with Hambros Bank of England, handling investors funds, whose main interest was in the purchase of stock in energy resource oriented companies.

He has now taken an active part in the exploration and financial planning of Summit's drilling prospects.

Western Thrift & Loan Association and Insurance Company of The West are both now in a profit position and are making satisfactory progress in line with management's expectations. The total gross assets of these two companies now exceed \$15,000,000.

On behalf of the Board of Directors  
KENNETH A. WALLACE, President

May 7, 1974

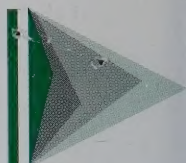
INTERIM REPORT TO SHAREHOLDERS

SIX MONTHS ENDED MARCH 31, 1974



*Concise*





# SUMMIT RESOURCES LIMITED

## CONSOLIDATED STATEMENT OF INCOME

(unaudited)  
For the Six Months Ended March 31, 1974  
(with comparative figures for 1973)

	1974	1973
Gross revenue	\$ 205,576	\$ 180,018
Operating income (loss)	\$ 42,207	\$ (12,881)
Gain on sale of marketable securities	341	108,060
Income before income taxes	42,548	95,179
Income taxes, estimated	1,753	1,858
NET INCOME FOR THE PERIOD	\$ 40,795	\$ 93,321
EARNINGS PER SHARE (based on the number of shares outstanding at end of period)		
Operating income (loss)	\$ .04	\$ (.01)
Net income	\$ .04	\$ .09

## SOURCE AND APPLICATION OF FUNDS

(unaudited)  
For the Six Months Ended March 31, 1974  
(with comparative figures for 1973)

	1974	1973
SOURCE OF FUNDS		
Net income for the period	\$ 40,795	\$ 93,321
Items not involving current funds		
Depletion	41,204	41,034
Depreciation	13,133	13,330
Gain on sale of marketable securities	( 341)	(108,060)
Funds from operation	94,791	39,625
Sale of marketable securities	10,306	251,223
Sale of subsidiary company, Lobell Mines Limited	30,265	
Sale of fixed assets	2,668	
Reduction of mortgages and agreements	30,399	50,763
Other	300	1,458
	168,729	343,069
APPLICATION OF FUNDS		
Investment in shares of private companies	57,750	319,000
Additions to property and equipment	273,016	72,313
Investment in marketable securities	30,000	27,500
Reduction of long-term debt	2,646	2,421
Increase in deposits	6,923	
	370,335	421,234
DECREASE IN WORKING CAPITAL POSITION	201,606	78,165
WORKING CAPITAL AT BEGINNING OF PERIOD	504,011	658,937
WORKING CAPITAL AT END OF PERIOD	\$ 302,405	\$ 580,772

## SECOND SEMI-ANNUAL REPORT TO THE SHAREHOLDERS OF SUMMIT RESOURCES LIMITED

During the six months ending March 31, 1974, your company continued its efforts to maximize its endeavors in the oil and gas business, principally in the Province of Alberta. Substantial land acquisitions were made on a number of highly promising oil and gas properties in this province.

Our exploration and development activities in Saskatchewan have come to a close, as your company has completed its evaluation of its present holdings by completing the last of twelve successful oilwells drilled during the period 1972-1973.

The following is a brief description of the areas currently undergoing activities which have an immediate bearing on the future prospects of the company.

### WOOD RIVER - ALBERTA

In November 1973, your company acquired a farm-out and option on lands in close proximity to the HOL WOODR 16-28-42-23 W4M Nisku reef discovery having 100 ft. of oil pay and 30 ft. of gas pay. Your company subsequently drilled a test well on these lands (Summit et al Woodr 6-28-42-23 W4M) in which 60 ft. of net oil pay was encountered. Your company retained a 30% working interest until payout in the interest earning well and 12% net working interest thereafter. The test well has recently been completed, producing at an average rate of 728 BOPD on a 20'64" choke during a five day test.

In March 1973, your company completed Summit et al Woodr 14-21-42-23 W4M as a potential Nisku oilwell, encountering some 30 ft. of net oil pay. The same terms and conditions exist on all wells in this prospect area. Battery facilities are completed and the 6-28 discovery should maintain steady production as soon as road bans are lifted. Additional wells are planned for the spring of 1974.

### NORTH WOOD RIVER - ALBERTA

Lying some two miles north of the recent Summit Woodr 6-28 discovery, your company held a 50% working interest in some 480 acres of freehold lands which it farmed out to Cochrane Resources Ltd. for a well to be drilled to the Leduc formation at a depth of approximately 6,000 ft. The test well was completed as a potential Nisku oilwell and should go on production in May or June of 1974.

Your company will receive 50% of a royalty interest varying between 5% and 15%, depending upon the production capabilities of the well with the right to convert to a 12½% working interest after Cochrane Resources Ltd. has recovered all costs of drilling and completion from net production revenues.

### KNEEHILL AREA - ALBERTA

Your company has acquired some 2560 acres of land, both Crown and freehold, and has pooled 960 acres of land from Hudson's Bay Oil & Gas Ltd. and British Petroleum Ltd. in order to drill a 7500 ft. Leduc test. Potential production exists in the Cretaceous - Blairmore sands, and the carbonates of the Mississippian and Devonian Nisku and Leduc formations.

Summit has found partners for this venture and will retain approximately a 20% working interest. Summit will be carried relatively cost free to casing point, or through abandonment and will have recovered most of its land and geophysical costs. Start-up date is anticipated June 1, 1974, as soon as road bans are lifted and a drilling rig is available.

### CLIVE EAST AREA - ALBERTA

Summit is attempting to farmout 320 acres of land lying between the Clive D<sub>2</sub> and D<sub>3</sub> oil pool and the Alix D<sub>2</sub> pool for a Leduc reef test to approximately 6000 ft. Tentative plans are being made for the drilling of this attractive prospect in the late spring of 1974. Summit will retain at least a 25% working interest in this project.

### CHERRILL PROSPECT - ALBERTA

Summit drilled a 4300 ft. Mississippian test on 960 acres farmed out from Golden Eagle, Bow Valley Industries and Pacific Petroleum. The prolific Glenév's Member of the Mississippian formation had offered the best potential for production in this prospect. The test failed to find commercial oil or gas and was subsequently abandoned. Summit had retained a 30% working interest until payout and then 12% working interest thereafter on the initial test well. Further evaluations may be carried out on this prospect.

### CLEARHILLS AREA - ALBERTA

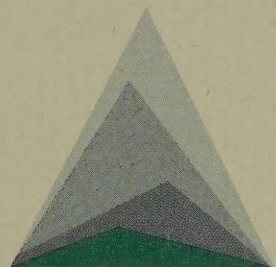
The company drilled and cased two wells to evaluate a potential shallow gas sand at about 1000 ft. Commercial gas was not obtained from these wells and they are now abandoned.

Summit has retained a 25% working interest in the acreage.

### CESSFORD AREA - ALBERTA

Your company held a 25% working interest in some 11,000 acres of P&NG leases which was farmed out for the drilling of an initial test well, VEL Summit Cessford 7-20-24-10 W4M, to evaluate the Cretaceous Mannville series. The test encountered some 20 ft. of net pay in the Upper Mannville and is presently awaiting completion as a gas well.





**SUMMIT**  
**RESOURCES**  
**LIMITED**

PETROLEUM EXPLORATION





## CORPORATE INFORMATION

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### Officers

President  
Ernest S. Rady  
Executive Vice-President  
Kenneth A. Wallace  
Vice-President & Treasurer  
Thomas Z. Olenick  
Vice-President  
W. Wayne Fitkin  
Secretary  
Norman Edwards  
Assistant Secretary  
James S. Palmer

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### Directors

Howard Carruthers, Kelowna  
Retired Executive, Cominco Ltd.  
Graham D. McLeod, Winnipeg  
Vice-President & Director  
Garry Finance Corporation Limited  
Thomas Z. Olenick, Winnipeg  
Vice-President & Treasurer  
Summit Resources Limited  
Ernest S. Rady, San Diego  
President, Summit Resources Limited  
Douglas G. Scott, Winnipeg  
Retired Partner  
Thorne Gunn & Co.  
Charles R. Tittlemore, Montreal  
President, The Price Company Limited  
Kenneth A. Wallace, Calgary  
Executive Vice-President  
Summit Resources Limited

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### Registered Offices

2706 Charter Towers,  
614-5th Avenue S.W.  
Calgary, Alberta T2P 0M7

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### Bank

The Royal Bank of Canada  
339-8th Avenue S.W.  
Calgary, Alberta T2P 1C9

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### Auditors

Thorne Gunn & Co.  
1200 Manulife House  
603-7th Avenue S.W.  
Calgary, Alberta T2P 2T5

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### Registrar and Transfer Agent

Canada Trust Company  
Calgary, Alberta

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### Stock Exchange Listing

Calgary Stock Exchange



## REPORT TO THE SHAREHOLDERS

It is with pride and pleasure that we present to you the First Annual Report of Summit Resources Limited.

The merger of Summit Oils Limited and Western Homes Ltd. gave Summit Resources Limited the opportunity to substantially enhance its future in oil and gas exploration which has now become our principal business.

The Company's investment portfolio will be reduced, especially in relation to the needs of our growing oil and gas activities. Funds will be transferred to finance the Company's oil and gas exploration and development operations as required. Nevertheless, there are significant opportunities for appreciation and income in our remaining investment holdings.

In particular:

**Western Thrift & Loan Association;** a newly-chartered thrift and loan company, now has over \$5,500,000. in total assets. While not in a profit position in its first full year of operation due to the absorption of the cost of opening three branches in Southern California, its management believes it will be turning the corner shortly and show a profit in its second year of business. The intention in 1974 is to continue to expand the Company's branches, assets and profits accordingly. Summit owns 23% of the outstanding shares.

**Insurance Company of the West;** a multi-line fire and casualty insurer, now has over \$7,000,000 in assets. It now appears that its first full year of operation will be at a break even point on approximately \$6,500,000. in premium volume. It is hoped that next year with start-up costs behind it, the Company will be in a profit position. Summit owns 10% of the outstanding shares.

Our remaining portfolio of marketable securities holds promise of appreciation, notwithstanding current market conditions.

All the mineral exploration activities formerly conducted by Summit on its own behalf, through Lobell Mines Limited and Delbrook Mines Limited have been terminated so as to concentrate on oil and gas exploration. An agreement in principal has been reached subject to Lobell shareholders, government and stock exchange approval to sell the company's shares in Lobell Mines Limited. We believe this action is in the best interest of the company and the shareholders of Lobell Mines Limited.

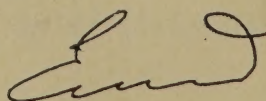
Due to the increased impetus on oil and gas exploration, I am going to resign as President of the Company at the next board meeting. Mr. Wallace, former President and Manager of Summit Oils Limited and Manager and Vice-President of Summit Resources Limited, has agreed to accept the position of President.

Your board has confidence and trust in his proven ability to successfully expand the Company in the Western Canadian Oil and Gas business.

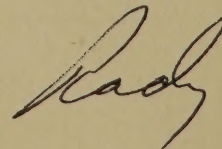
The Directors recognize and thank the shareholders for their continuing support and are grateful to the Company's personnel for their fine efforts on our behalf.

ON BEHALF OF THE BOARD

E. S. Rady



President





# EXPLORATION AND DEVELOPMENT

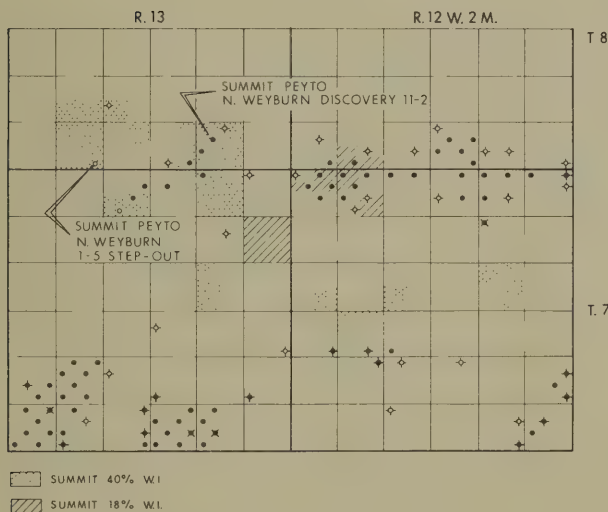
## GENERAL COMMENTS

The Company continues to use its expertise to originate exploitation and exploration projects by acquiring lands, formulating drilling projects, farming out interests in each venture and retaining carried working interests and royalties where possible.

In this way, the Company can participate in an unlimited number of projects at little or no cost while each is at the high risk stage. The Company will take an active part in the development of each successful venture.

## CURRENT PROJECTS

The following areas in Saskatchewan and Alberta have immediate plans for drilling:



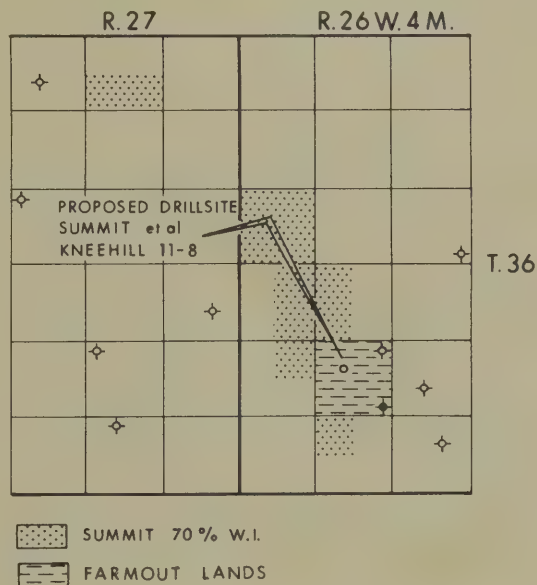
## HUME — N WEYBURN, SASKATCHEWAN

In the Hume — N Weyburn Area of South-eastern Saskatchewan, Summit has completed six oilwells and three abandonments in which it has an 18% working interest, has made a Mississippian Midale beds discovery and followed-up with three additional oilwells in the North Weyburn field in which the company has a 40% working interest. Several more development wells are planned for this area in the immediate future.

Summit now holds interest in 5,914 gross acres in this general area.

## KNEEHILL AREA, ALBERTA

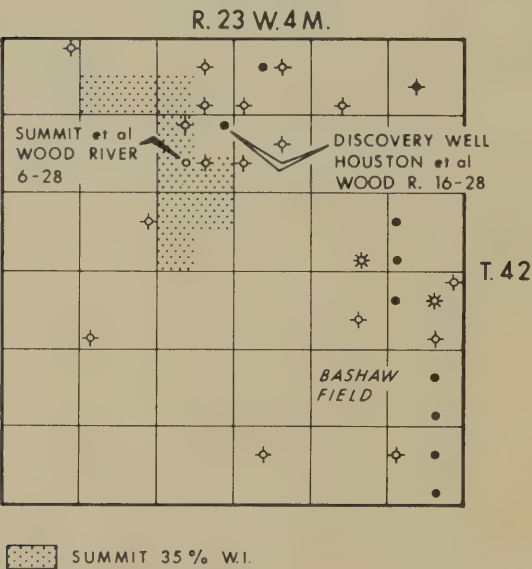
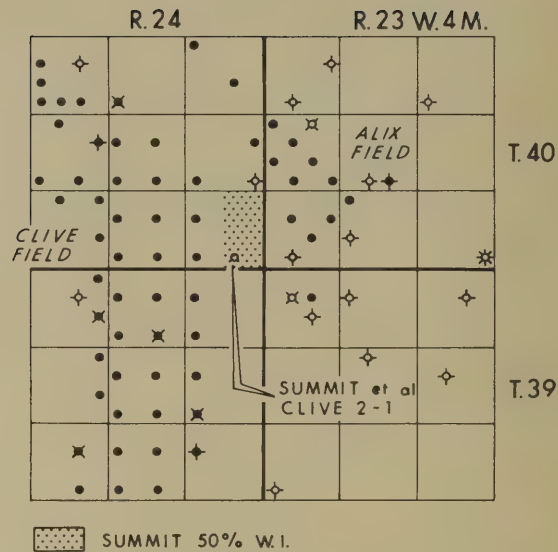
The Company holds a 70% working interest in some 1920 acres of P&NG leases situated on the west flank of the Bashaw Reef Complex, lying some 12 miles northeast of the town of Innisfail. The Company plans to drill a 7500 ft. Devonian Leduc reef test on a promising anomaly which encompasses some five sections of land with numerous potentially productive zones, down to and including the Devonian Leduc reef. Drilling is anticipated on this anomaly in January 1974. The Company intends to retain approximately a 25% working interest in this venture.





CLIVE EAST, ALBERTA

The Company has acquired a 50% working interest in 320 acres of P&NG leases lying immediately adjacent to the Clive Devonian Nisku and Leduc oilfield on the west and the Alix Devonian Nisku field on the east. The Company anticipates drilling a test well on this acreage in the very near future, as soon as additional farmout negotiations have been completed.



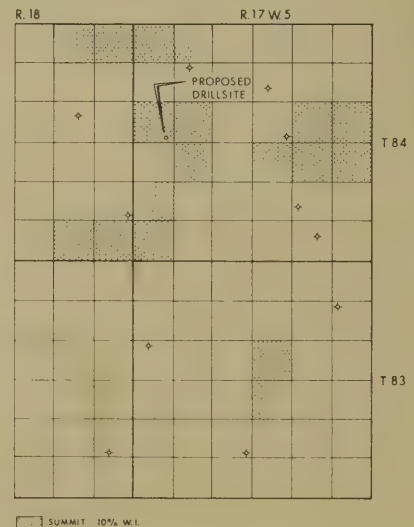
WOOD RIVER, ALBERTA

The Company has acquired a farmout and options on some 1440 acres of Petroleum & Natural Gas leases in the Wood River area of Central Alberta, in close proximity to the HOL Wood River 16-28-42-23 W4M Nisku reef discovery of January 1973 in which some 130 ft. of reef pay was encountered and is presently producing at 500 BOPD.

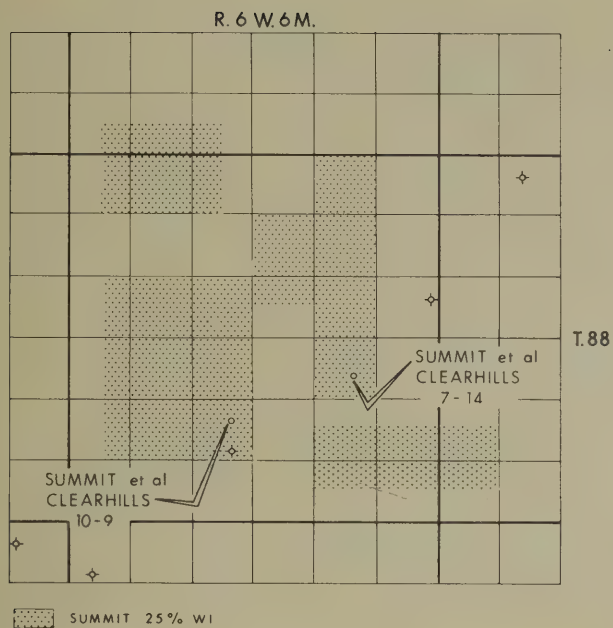
The Company intends to drill this venture in conjunction with others and will retain a 35% working interest. Drilling of this 6000 ft. reef venture is planned prior to December 31, 1973.

CADOTTE RIVER, ALBERTA

The Company holds a 10% working interest in approximately 10,500 acres of P&NG leases lying approximately 30 miles east of the town of Peace River, located along the Northeastern flank of the Peace River Arch complex. Potentially productive Devonian Leduc reef underlies much of this acreage. A Devonian test is planned for this area in the winter of 1973 - 1974 and Summit is to be carried to casing point or through abandonment on the initial test well at no cost.





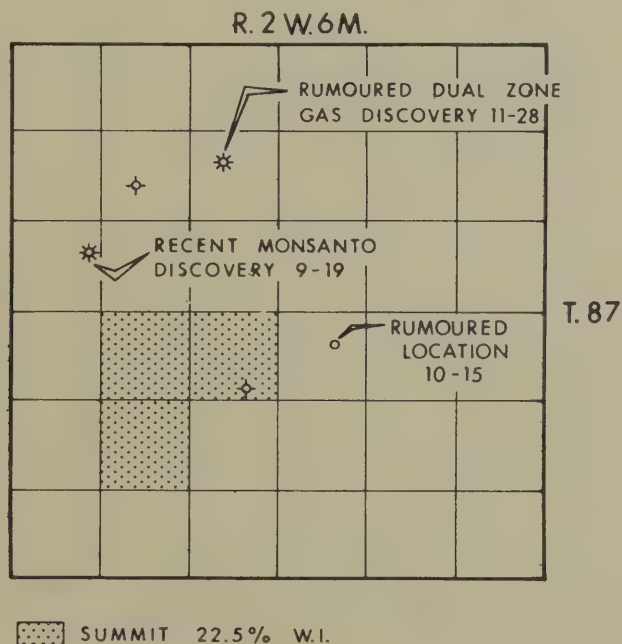


## CLEARHILLS AREA, ALBERTA

The Company has a net working interest of 25% in some 12,160 acres of land in the Clearhills Area of Alberta, located approximately four miles north of the Worsley gas field in Northwestern Alberta. The Company intends to drill two test wells in December 1973 on the lands presently held.

## DIXONVILLE AREA, ALBERTA

The Company continues to maintain its 22.5% working interest in 1920 acres in close proximity to the Monsanto NCO Dixonville Cretaceous gas discovery of March 1973, and the Monsanto et al Dixonville 11-28-87-2 W6M rumored dual zone Cretaceous gas discovery of October 1973. The Company has no immediate plans for drilling in the area until such time as transportation and availability of markets is close at hand.



## MINERAL EXPLORATION

The Company continued its policy of surrendering mineral claims in the Omineca Mining Division of British Columbia as claims become due for renewal. It was felt that work by the Company and its two mining subsidiaries, Lobell Mines Limited and Delbrook Mines Limited, prior to 1973 fully evaluated the potential of the claims since no minerals of economic importance were encountered.

At present, the Company has entered into an agreement to sell its controlling interest in Lobell Mines Limited. Lobell continues to hold some 92 claims in British Columbia which may be further developed by the new control group. Delbrook Mines Limited continues to hold some 10 claims which expire in 1974 and 1975. Summit continues to hold 5 claims which expire in 1974.



SUMMARY OF NON-PRODUCING ACREAGE  
(as of September 30, 1973)

<u>AREA</u>	<u>Type of interest — Working Interest</u>	
	<u>GROSS ACRES</u>	<u>COMPANY'S NET ACRES</u>
Alberta . . . . .	54,594	19,884
Saskatchewan . . . . .	6,310	2,413
East Coast — Offshore . . . . .	258,336	258,336
German North Sea . . . . .	<u>100,000</u>	<u>5,000</u>
TOTAL . . . . .	419,240	285,633

	<u>Type of interest — Royalty Interest</u>	
* Alberta . . . . .	10,400	199
Saskatchewan . . . . .	<u>1,160</u>	<u>22</u>
TOTAL . . . . .	<u>11,560</u>	<u>221</u>
TOTAL ALL PROPERTIES . . . . .	430,800	285,854

\* A 1.0 per cent Royalty Interest equivalent to a 3.0 per cent Working Interest.



## DEVELOPMENT

The following table shows the Company's participation in wells capable of production at September 30, 1973.

<u>Producing Wells</u> <u>Working Interest</u>	<u>Gross Wells</u>	<u>Net Wells</u>
Midale, Saskatchewan . . . . .	2	1.65
Parkman . . . . .	4	2.0
Hume . . . . .	6	1.1
Weyburn . . . . .	3	1.2
<u>Royalty Interest</u>	<u>Gross Wells</u>	<u>Royalty Interest</u>
Parkman, Saskatchewan . . . . .	2	12.5
	4	1.5
Lost Horse Hills . . . . .	9	1.0
Elmore . . . . .	5	1.5
Oungre . . . . .	1	1.0
Chigwell, Alberta . . . . .	3	1.4
Oberlin . . . . .	1	2.0

The major reserves of the Company were evaluated by J.C. Sproule in June 1972 and having been updated by the engineers and accounting staff of the Company to September 30, 1973.

<u>Estimated Reserves</u>	<u>Crude Oil</u>
Proven developed	387,000
Probable developed	519,000
Royalty Proven	88,000
Royalty Probable	<u>23,000</u>
TOTAL RESERVES	<u>1,017,000 bbls.</u>

The Company receives its major portion of production from wells in Saskatchewan, i.e. Parkman, Midale, Hume and North Weyburn. During the period under review the Company's oil production is as follows:

<u>Period</u>	<u>Net Production — after Royalty</u>
October 1, 1973 — September 30, 1973 . . . . .	41,632 bbls.



# SUMMIT RESOURCES LIMITED

(Incorporated under the laws of Alberta)  
and subsidiary companies

## CONSOLIDATED BALANCE SHEET-SEPTEMBER 30, 1973

ASSETS		
CURRENT ASSETS		
Cash . . . . .	\$ 567,553	
Accounts receivable . . . . .	80,072	
Prepaid expenses . . . . .	4,844	
Income taxes recoverable . . . . .	4,500	
Principal due within one year on mortgages and agreements . . . . .	<u>32,000</u>	\$ 688,969
OTHER INVESTMENTS		
Marketable securities, at cost (quoted market value \$359,809) (note 4) . . . . .	377,360	
Investment in other companies, at cost less allowance for decline in value (note 5) . . . . .	598,352	
Mortgages and agreements . . . . .	<u>96,129</u>	1,071,841
OTHER ASSETS, at cost		
Drilling and other deposits		22,999
FIXED ASSETS (note 6)		
Property, building and equipment, at cost . . . . .	1,543,626	
Less accumulated depreciation and depletion . . . . .	<u>236,058</u>	<u>1,307,568</u>
		<u>\$3,091,377</u>

## AUDITORS' REPORT

To the Shareholders of  
Summit Resources Limited

We have examined the consolidated balance sheet of Summit Resources Limited and subsidiary companies as at September 30, 1973 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles.

Winnipeg, Canada  
October 25, 1973

THORNE GUNN & CO.  
Chartered Accountants



## LIABILITIES

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities . . . . .	\$ 139,458	
Advances from participants in company-operated fixed price drilling programs . . . . .	40,000	
Principal due within one year on long-term debt . . . . .	<u>5,500</u>	\$ 184,958
<b>LONG-TERM DEBT</b>		
6¾% Mortgage payable, maturing May 15, 1985 . . . . .	91,688	
Less principal included in current liabilities . . . . .	<u>5,500</u>	86,188
<b>DEFERRED INCOME TAXES (note 7)</b>		17,215
<b>MINORITY INTEREST</b>		24,186

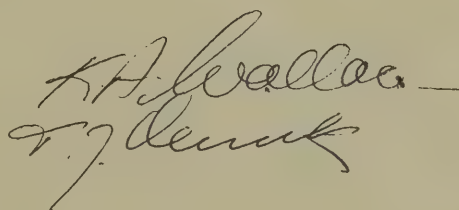
## SHAREHOLDERS' EQUITY

<b>CAPITAL STOCK</b>		
Authorized		
200,000 5% Non-cumulative, non-voting redeemable convertible preference shares, par value \$1 each		
10,000,000 Common shares, no par value		
Issued		
1,000,920 Common shares . . . . .	1,935,947	
<b>RETAINED EARNINGS . . . . .</b>	<u>842,883</u>	<u>2,778,830</u>
		<u>\$3,091,377</u>
<b>CONTINGENT LIABILITIES (note 8)</b>		
<b>SUBSEQUENT EVENT (note 9)</b>		

Approved By The Board

Director

Director





# SUMMIT RESOURCES LIMITED

and subsidiary companies

## CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED SEPTEMBER 30, 1973

Gross revenue		\$ 308,749
Operating and production costs, selling and administrative expenses before the following		<u>130,487</u>
		178,262
Deduct		
Depreciation and depletion . . . . .	\$ 86,541	
Interest on long-term debt . . . . .	6,264	
Remuneration of directors and senior officers . . . . .	74,780	
Gain on sale of marketable securities . . . . .	(108,060)	
Gain on exchange of U.S. funds . . . . .	<u>(6,119)</u>	
		<u>53,406</u>
Income before income taxes		124,856
Income taxes (note 7)		
Current . . . . .	2,880	
Deferred . . . . .	<u>455</u>	
		<u>3,335</u>
NET INCOME FOR THE YEAR		121,521
Retained earnings at beginning of year		<u>721,362</u>
RETAINED EARNINGS AT END OF YEAR		<u>\$ 842,883</u>
EARNINGS PER SHARE (based on the number of shares outstanding at the beginning and end of year)		<u>\$ .12</u>

SUMMIT RESOURCES LIMITED  
and subsidiary companies

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**  
YEAR ENDED SEPTEMBER 30, 1973

<b>SOURCE OF FUNDS</b>		
Net income for the year . . . . .	\$ 121,521	
Items not involving current funds		
Depletion and depreciation . . . . .	86,541	
Deferred income taxes . . . . .	455	
Gain on sale of marketable securities . . . . .	(108,060)	
Other . . . . .	(6,155)	
Funds derived from operations . . . . .	94,302	
Proceeds from sale of marketable securities . . . . .	251,232	
Reduction of mortgages and agreements . . . . .	37,387	
Proceeds from sale of fixed assets . . . . .	16,173	
Decrease in investment in other companies . . . . .	303	\$ 399,397
<b>APPLICATION OF FUNDS</b>		
Increase in investment in other companies . . . . .	319,000	
Purchase of fixed assets . . . . .	198,381	
Purchase of marketable securities . . . . .	27,500	
Reduction of long-term debt . . . . .	5,543	
Increase in drilling deposits . . . . .	3,899	554,323
<b>DECREASE IN WORKING CAPITAL POSITION</b>		154,926
<b>WORKING CAPITAL AT BEGINNING OF YEAR</b>		658,937
<b>WORKING CAPITAL AT END OF YEAR</b>		<u>\$ 504,011</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEAR ENDED SEPTEMBER 30, 1973

1. AMALGAMATION

On October 2, 1972 an agreement became effective which provided for the amalgamation of Western Homes Limited and Summit Oils Limited to form Summit Resources Limited, an Alberta corporation.

2. ACCOUNTING PRACTICES

The company follows the full cost method of accounting for petroleum properties wherein all costs related to the exploration for and development of oil and gas reserves are capitalized. Such costs include acquisition costs, geological and geophysical expense and costs of both productive and unproductive drilling. Proceeds received on disposal of properties are credited against such costs. Included in the cost of petroleum properties are net deferred exploration and preproduction expenditures totalling \$568,702 which were incurred by Summit Oils Limited (note 1). The method of providing for depletion on the cost of petroleum properties is outlined in note 6 to the financial statements.



### 3. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies. The major subsidiaries are Lobell Mines Limited (55.8% owned) and Delbrook Mines Limited (64.6% owned), neither of which are in production. For consolidation purposes the mining properties of these two subsidiaries have been written-down to their realizable values as estimated by management. This write-down has been charged to consolidated retained earnings at the date of amalgamation.

### 4. MARKETABLE SECURITIES

	Number of shares	Cost	Market value
United States companies			
California Pacific Utilities Company	11,200	\$ 223,237	\$ 218,400
Southern California First National Corporation	4,950	95,903	45,169
		<u>319,140</u>	<u>263,569</u>
Canadian companies			
Union Gas Company	2,000	33,635	20,250
Canada Northwest Land Co.	8,940	24,585	75,990
		<u>58,220</u>	<u>96,240</u>
		<u>\$ 377,360</u>	<u>\$ 359,809</u>

### 5. INVESTMENT IN OTHER COMPANIES

	Number of shares	Amount
Insurance Company of The West — Common	5,000	\$ 248,000
Western Thrift and Loan Association — Common	14,000	209,000
Memrad Holdings Ltd. — Preferred	4,000	40,000
Union Assets Ltd. — Preferred	700	70,000
Other investments and advances less allowance for decline in value		31,352
		<u>\$ 598,352</u>

### 6. FIXED ASSETS

	Cost	Accumulated depreciation and depletion	Net
Oil operation			
Undeveloped mining properties	\$ 35,000		\$ 35,000
Petroleum properties	1,135,449	\$ 93,331	1,042,118
Production equipment	138,255	78,035	60,220
Other equipment	28,403	16,501	11,902
	<u>1,337,107</u>	<u>187,867</u>	<u>1,149,240</u>
Rental operation			
Land	30,468		30,468
Apartment building	152,850	41,219	111,631
Houses	13,101	3,552	9,549
Equipment	10,100	3,420	6,680
	<u>206,519</u>	<u>48,191</u>	<u>158,328</u>
	<u>\$1,543,626</u>	<u>\$ 236,058</u>	<u>\$1,307,568</u>

Depletion on the cost of petroleum properties is provided using the composite unit of production method based on total proven reserves of gas and oil. Depreciation on equipment used in the oil operation is provided for on a diminishing balance basis at essentially 30% per year.

Depreciation on rental properties and equipment is recorded in the accounts on a straight-line basis at 3% per year.

7. INCOME TAXES

For income tax purposes, the company claims lease acquisition, exploration and drilling costs and capital cost allowances in excess of the related depletion and depreciation reflected in its accounts, thus reducing taxes currently payable.

The Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes which originate in financial years commencing on or after January 1, 1968. The company, however, in common with many other companies in Canada, believes that tax allocation in respect of intangible development costs is not appropriate and this position is accepted by accounting authorities outside Canada. Accordingly, it is the company's policy to provide in its accounts for taxes payable on its taxable income for the year and for taxes deferred as a result of claiming capital cost allowances in excess of depreciation recorded, but not for taxes deferred as a result of the excess claims for lease acquisitions, exploration and drilling costs. If the tax allocation basis in respect of such excess claims had been followed in the current year, net income for the year would have been reduced by \$18,750 and the cumulative amount of deferred tax credits to September 30, 1973 would have been \$35,965.

Subsidiary companies in the exploratory stages have approximately \$400,000 in drilling and exploration expenses which could be deducted from taxable income when these companies begin active production.

8. CONTINGENT LIABILITIES

The company has issued non-interest bearing promissory notes totalling \$12,917 in favour of various government authorities. These notes are pledged as work performance deposits in respect of exploratory rights.

In connection with an investment made by Summit Oils Limited the company has also guaranteed a bank loan of an individual; the guarantee is limited to \$18,684.

9. SUBSEQUENT EVENT

The company has entered into an agreement to sell its investment in 917,000 common shares of its subsidiary company Lobell Mines Limited for a total consideration of \$30,265. The sale is subject to approval by the Securities Commission and the shareholders of Lobell Mines Limited.











